

Prosser Letter 11-05-2009 to PSC re Change of Control

Exhibit A

1989 Settlement Agreement by VIPSC, RTFC, ATN and Vitelco

SETTLEMENT AGREEMENT

The undersigned parties, VITELCO, ATN, RTFC, VITELCOM and the Virgin Islands Public Services Commission, desiring to resolve and settle various pending civil actions, administrative proceedings and appeals, stipulate and agree as follows:

1. RATES

- a. VITELCO agrees to reduce rates for regulated local service, retroactive to January 1, 1988, and consequently to return to ratepayers as prescribed below, \$800,000.00 associated with the calendar year 1988. This \$800,000.00 will be booked by VITELCO in 1988 into the appropriate liability account and will be amortized to income over a three year period. A negative surcharge associated with the three year amortization of \$800,000.00 will be implemented as of January 1, 1989. This negative surcharge will have an annual value of \$267,000.00 and will be priced out based upon average 1988 access lines, but a one time credit will be given for the period of January 1, 1989, to the date rates are implemented through this agreement.
- b. VITELCO will implement a permanent base rate reduction of \$1.1 million dollars effective January 1, 1989. A one time credit will be given for the

period January 1, 1989 to the date rates are implemented through this agreement. The tariffs will be based upon the average access lines in calendar year 1988.

- c. VITELCO will implement a Life-line and Link-up America Program effective June 1, 1989. VITELCO agrees that it will contribute to the funding required for such a program \$300,000.00 annually and this sum will be considered to be provided as though it were an additional rate reduction consistent with this overall settlement. To the extent that the implementation date of the Life-line program is later than April 1, 1989, VITELCO agrees to reserve \$25,000.00 per month which VITELCO agrees the Public Services Commission ("Commission") can direct to be used in future Life-line or other programs, or as a negative surcharge. VITELCO agrees to immediately begin working with the Commission's staff ("staff") to submit a plan to the Commission for approval no later than May 15, 1989. Upon approval by the Commission the plan will be submitted to the FCC as expeditiously as possible to gain approval of the plan's implementation.

In the first year of the program only, there shall be allowed to VITELCO an allowance for possible

administrative costs to commence the program not to exceed \$25,000.00, which may be charged back by VITELCO from the accumulated \$300,000.00 for the first year, provided VITELCO documents and establishes actual and bona fide costs therefor not including existing personnel costs. For ongoing purposes, however, general administrative costs will not be considered part of the \$300,000.00 after the first year of the programs.

The general formula for implementing the Life-line and Link-up contribution by VITELCO will be to calculate the contribution on the basis of \$3.50 per person per month or other such other amount as the Commission might authorize (the allowance additionally provided by the federal program is to match the local contribution up to \$3.50 per month). If the federal formula changes in the future the local matching component could also change if approved by the Commission, provided, however, the contribution of VITELCO will not exceed \$300,000.00 per year because of any such change. Initially, if there are determined to be a feasible number of eligible persons under a program supervised by the Department of Human Services, the number of eligible persons in the approved program or programs will be multiplied by \$3.50 per month

(or other amount approved by the Commission) in order to determine the local cost of the program. \$300,000.00 of that amount would be absorbed by VITELCO directly. If the cost of the program exceeds \$300,000.00 on a local basis, the Commission will have to determine whether to (1) reduce the number of eligible persons in some equitable way or (2) fund the remainder of the local portion of the project as a part of the otherwise applicable rate reduction or other means. If the cost of the programs on a permanent, going forward basis, does not equal \$300,000.00 on a local basis, the Commission may either increase the local reduction, apply the balance to a general rate reduction or apply the balance to other local rate relief.

As to the Life-line program, the \$300,000.00 commitment by VITELCO is an absolute guarantee. If the program is not instituted by April of 1989 the same amount will either be made available as a potential credit for a future Life-line program or as further reduction to local rates if the Life-line program is not implemented.

- d. Consistent with Order No. 24/1985, in the Commission's docket no. 256, VITELCO agrees to make a one time refund to all its customers who leased

their equipment in 1988. The refund for customers who leased a rotary set would be \$0.90 per month and the refund for those who leased teletouch equipment would be \$0.80 per month for 1988. These refunds will be paid no later than July 1, 1989. VITELCO shall report to the Commission by October 15, 1989, any refunds which cannot be made because the subscriber cannot be found.

- e. There will be no change in local rates to VITELCO's customers other than those described above through April 1, 1990. Effective April 1, 1990 the reduction in local expense which results from completion of the amortization of investment to account 232, inside wire, in the sum of \$552,000.00 and in account 221.1, for retired Penta Conta equipment, in the sum of \$1,136,000.00, shall be automatically passed through to local rates by reduced tariffs, without the need for general rate review, such tariffs to be promptly approved by the Commission.
- f. VITELCO will provide to the Commission information regarding the appropriate revenue requirement based upon the calendar year 1989. Such a test year can be modified through appropriate pro forma adjustments by both VITELCO and staff as each deems appropriate. VITELCO will begin furnishing such

information to staff initially on July 1, 1989 based upon four (4) months actual data and eight (8) months of estimated data, and will update such information quarterly or as requested by staff as the year progresses.

Either VITELCO or the Commission may elect to commence a general rate review, seeking overall local rate reductions in excess of those described above, or local rate increases or offsets to the automatic reductions described above, on or after September 1, 1989. In the event either does so, hearings to determine the appropriate future rate levels including appropriate rate of return, will take place toward the end of calendar year 1989 or early in the year 1990, based upon a test year ending December 31, 1989, adjusted for known and measurable changes in 1990. Any change in rates will be implemented by the Commission no earlier than April 1, 1990.

Staff agrees that in determining the appropriate revenue requirement VITELCO's taxes will be considered on a stand alone basis and not through the use of an effective tax rate derived by examining the companys' consolidated tax return. Neither the Commission nor the utility has hereby committed themselves to any position concerning the

appropriate treatment for IDC benefits for the purposes of ratemaking. To the extent that VITELCO does participate in a consolidated tax return, VITELCO agrees to provide such return to the Commission's staff for information and computational purposes, but the return shall be reviewed only under a confidentiality order and not made part of the public record. In any such general rate proceeding it is agreed that executive salaries shall be limited to the level of expense for that item incurred by VITELCO in the last full calendar year of ITT ownership of VITELCO, subject to an annual increment equal to the average percent increase in union wages for VITELCO employees for the same period.

2. DEPRECIATION AND AMORTIZATION EXPENSE

- a. VITELCO agrees that the amortization reflected for the regulatory asset associated with customer premise equipment depreciation in the past will no longer be included as either a local operating expense or an asset on VITELCO's regulated books of accounts.
- b. VITELCO agrees to completely amortize its investment to 232-inside wire by December 31, 1989.

3. INTERCOMPANY TRANSACTIONS AND ADVISORY FEES

- a. VITELCO and staff reserve the right to offer

testimony and argument as to what the appropriate management fee, if any, should be in the determination of all future revenue requirement proceedings. This stipulation in no way requires the Commission's approval of any amount of management fees for the determination of revenue requirements.

- b. VITELCO agrees that any advisory fees which are proposed to be paid by VITELCO shall be subject to the prior review and approval of the Commission to assure that they are made only for reasonable value and are negotiated at arms length. Any payments of such fees made prior to this stipulation, without prior Commission approval, shall be recorded as a local expense for 1989 provided the Commission finds such expense reasonable. In addition, VITELCO agrees that any employment contracts entered into by VITELCO and any shareholder of VITELCO or any shareholder of ATN shall be entered into upon reasonable terms and conditions, for reasonable value, at arms length, and shall be subject to review by the Commission. VITELCO further agrees that no further transfer of any property from VITELCO to ATN or to any other subsidiary of ATN will take place without the Commission's prior approval, except the transfer

for value in the normal course of business of items with a value of less than \$50,000.00. Transfer of items or assets having a value of more than \$5,000.00 but less than \$50,000.00 may be made upon written notice to the Commission not less than fifteen (15) days in advance of the proposed transfer, such notice to include a description of the terms and an explanation of why the transfer is justified as one for reasonable value and at arms length. If the Commission does not thereupon order the transfer stayed prior to the notice date, it may be made without prior approval, but subject to the Commission's right to order the conveyance rescinded if, upon review, the transaction is found not to be in accord with this section.

- d. VITELCO, VITELCOM and ATN agree to provide the Commission access to all relevant information related to ATN, VITELCO and VITELCOM or any other related subsidiary which may be formed. Such access shall include access to the company's financial books and records, access to the company's consolidated tax return, access to all employment contracts of personnel who are employed by VITELCO, VITELCOM and ATN, and any other reasonable information as could be requested by the Commission. In the event that any of the companies

do not wish to provide this information, it will be the responsibility of these companies to carry the burden of proof as to why such information is not relevant and the companies will provide such information with the appropriate proprietary orders to protect the confidentiality of such information pending a ruling by the Commission.

- e. Except insofar as their activities, personnel or assets involve or affect VITELCO, and except as otherwise expressly provided in this settlement agreement or as to activities and/or assets which the Commission has the discretion to take into account to determine local revenue requirements as permitted by law, ATN and VITELCOM are recognized to the non-utilities not subject to Commission regulation.

4. COMMITMENT TO SERVICE, CONSTRUCTION AND EMPLOYEE LEVELS

- a. VITELCO agrees to continue to provide service at the service standards previously stipulated to by VITELCO. In this regard a deterioration in service below the surveillance levels would entitle the Commission to take appropriate regulatory and rate action.
- b. VITELCO commits to maintaining the level of employees that are on the payroll when this stipulation is signed through April 1, 1990,

consistent with the earliest date on which any future change in rate levels may be made by the Commission. No employee of VITELCO shall be terminated prior to that date except for cause. The only exception permitted shall be in the event of a termination of the VITELCO/ATN contract for long distance service. If that agreement is terminated, and not renewed, VITELCO may terminate employees holding the position of long-distance operator, provided VITELCO submits to the Commission evidence that such termination of employment is a result of the termination of the AT & T contract.

- c. VITELCO commits to a minimum construction budget of \$40 million over the next five years or approximately \$8 million annually. To the extent that VITELCO's annual construction budget in any of the next five years drops below \$8 million, it will provide timely testimony before such reduced level of construction is implemented to identify the causes of such a reduced construction level to the Commission, and such reduction shall be subject to the Commission's approval.

5. PUBLIC SERVICE COMMISSION ASSESSMENTS

- a. VITELCO agrees to pay all of the Commission's outstanding assessments that exist at the current

time on or before April 30, 1989.

b. VITELCO agrees to pay all of the Commission's future assessments within thirty (30) days of receipt of an order from the Commission imposing an assessment even if VITELCO expects or intends to appeal such assessment. Concurrently with the imposition of future assessments, the utility shall be notified of the docket or dockets to which such assessment will be allocated; and shall be provided on request with copies of any and all bills and invoices received by the Commission in any existing docket.

c. VITELCO, ATN and the Commission agree to immediately stipulate to the entry of a consent judgment in the District Court of the Virgin Islands regarding the Commission's assessments. The consent judgment shall be in the form annexed and shall be filed in all pending actions and appeals involving assessments, to wit, Civil Nos. 87-257, 87-347, 87-418, 88-115, 88-186, 89-01, 89-28, 89-29, 89-52, 89-55, 89-58, and 89-59.

6. UNBUNDLING OF THE INSIDE WIRE TARIFF

The Commission agrees to work with VITELCO towards the implementation of an appropriate unbundling of the inside wire tariff. After the conclusion of this stipulation, staff will meet with VITELCO, at

VITELCO's convenience, to begin discussions relating to the appropriate unbundling of the inside wire tariff.

7. ITEMS RELATED TO DOCKET 301

a. The Commission agrees to approve the sale of VITELCO stock from ITT to ATN upon appropriate satisfaction of the following conditions which the parties agree to undertake as part of this agreement within thirty (30) days:

1. VITELCO's guarantee of \$44.4 million of debt from RTFC by ATN shall be removed.
2. The mortgages and UCC liens on VITELCO's property shall be used as collateral only for VITELCO's direct debt and shall not guarantee \$44.4 million of debt taken on by ATN. The underlying documents shall be amended accordingly. It is agreed that nothing contained herein shall preclude ATN, VITELCOM, or any other ATN subsidiaries or affiliates other than VITELCO, from granting mortgages or UCC liens to RTFC to further secure the ATN loan so long as the assets to be mortgaged are the bona fide separate property of ATN, VITELCOM, or such other ATN subsidiaries or affiliates, and do not represent assets of VITELCO transferred to VITELCOM, ATN or such

other ATN subsidiaries or affiliates, without the Commission's specific approval.

3. The loan agreements and financing documents between RTFC, VITELCO and ATN shall be amended to reflect that earnings and performance tests such as the Times Interest Earned Ratio (TIER) and Debt Service Coverage Test (DSC) with regard to loans made to VITELCO will be based upon VITELCO's earnings and VITELCO's debt alone and will not incorporate the debt service related to the \$44.4 million borrowed by ATN. The Commission recognizes VITELCO's RTFC debt and related mortgage and loan agreement obligations as valid and binding obligations of VITELCO and will recognize the debt in future rate making proceedings as a valid element of capital.
4. ATN, VITELCO and RTFC represent that presently all VITELCO's issued and outstanding stock is pledged to RTFC as collateral for ATN's loan. RTFC agrees that should default in that loan occur resulting in seizure of or foreclosure upon that VITELCO stock, any proposed sale of such stock shall first be submitted to the Commission for approval before consummation which approval shall not be unreasonably

withheld if the proposed sale will not adversely affect VITELCO's operations or rates. Provided this condition is met, it is understood and agreed that in the event of an ATN loan default RTFC may foreclose its lien or pledge upon VITELCO stock. ATN and VITELCO agree that if in the future any VITELCO stock is to be used as collateral or security for any debt or obligation, the same undertaking hereinabove given by RTFC will be required from the prospective creditor prior to creating or imposing any lien or pledge of VITELCO stock.

5. VITELCO's investment in the Subordinated Capital Certificates (SCC) shall be reduced from \$10.4 million to \$6.0 million.
6. VITELCO must demonstrate to the satisfaction of the Commission that it has attained an equity ratio of fifteen percent (15%) by December 31, 1988 and twenty five (25%) by December 31, 1989. The measurement of the equity ratio will be determined by the proportion of equity in VITELCO's capital structure after reflecting the appropriate dividends payment, if any, for VITELCO's operations for the year 1988 and 1989. In

addition, VITELCO's books must reflect the appropriate treatment for such items as the "regulatory asset" as agreed to in this stipulation as well as the reduction in the SCC.

7. VITELCO and ATN agree that transfer of ownership of a cumulative 51% or greater share of ATN stock from the current owners will not take place without the Commission's prior approval. For purposes of this paragraph, a series of transfers of shares to the same or directly affiliated persons or entities shall be considered on a cumulative basis, and if the total interest so transferred equals or exceeds 51%, Commission approval shall be required.
8. VITELCO and ATN agree that any additional financing (i.e., any financing not now in place and disclosed to the Commission) undertaken by ATN shall in no way require VITELCO to guarantee or collateralize such financing or any part thereof, and shall in no way impact on VITELCO's access to financial markets, without the Commission's prior approval. Any such purported guarantee or collateralization shall be void.

9. VITELCO and ATN agree that VITELCO shall employ for at least two (2) years, as Executive Vice President for Regulatory Affairs, an individual with at least five (5) years experience as vice president, president or chief executive of a regulated telephone utility not smaller than VITELCO. Such individual should be provided the normal latitude of an officer responsible for the day to day affairs of managing the telephone utility's regulatory rights and responsibilities.

b. Providing that VITELCO, ATN, RTFC and VITELCOM are in compliance with the terms of this stipulation, the Commission agrees that dividends from VITELCO to ATN will be permitted in amounts required to satisfy ATN's debt service requirement to RTFC. This is not a guarantee that rates will be fixed to assure coverage; only that such payments can be made if funds are available after satisfaction of VITELCO's responsibilities as a public utility, and as prescribed herein.

8. SETTLEMENT OF OUTSTANDING PROCEEDINGS

This settlement supercedes and would dispose of Dockets 301, 314, and 316, and all related civil actions, including all outstanding orders related to those

dockets, except that the Commission reserves the right to complete its proceedings involving the transfer of real property at Havensite.

9. VITELCO'S AND ATN'S INFORMATION FILING REQUIREMENTS

VITELCO and ATN agree to immediately provide the following information to the Commission consistent with its authority:

1. Monthly balance sheets and income statement of VITELCO in a form acceptable to the Commission, promptly after they have become available. These reports should provide sufficient detail of the company's operations.
2. Monthly VITELCO statistics relating to employees, access lines and other statistical information which the company routinely accumulates on its monthly statements in a form acceptable to the Commission, promptly after they have become available.
3. A copy of the minutes of all Board of Directors Meetings of VITELCO and ATN no later than promptly after such minutes have been prepared and adopted. Upon request minutes submitted by ATN shall be subject to review by the Commission's staff under a confidentiality order to determine whether the matters therein affect VITELCO. If they do not, such minutes

shall be returned to ATN and shall not become a part of the public record. If the matters do affect VITELCO they shall be referred to the Commission.

4. A copy of VITELCO's annual audit report, no less than promptly after it is formally received by VITELCO's management.
5. A copy of VITELCO annual report information presented to the extent available in the format that was previously compiled for the company's form M. This information should be provided together with the company's annual audit report.
6. A monthly summary of all payments made by VITELCO to any affiliated company, individual or interest. In addition, all income and receipts from affiliated interests should be listed.

Virgin Islands Telephone Corporation
"VITELCO"

DATED: 4/19, 1989

By: [Signature]

Atlantic Tele-Network, Inc.
"ATN"

DATED: 4/19, 1989

By: [Signature]

Rural Telephone Finance Cooperative
"RTFC"

DATED: April 19, 1989

By: [Signature]

DATED: 4/19, 1989

"VITELCOM"

By: [Signature]

Public Services Commission
"Commission"

DATED: 4/19, 1989

By: [Signature]

VIRGIN ISLANDS TELEPHONE CORPORATION
Tariff Reductions
To Reflect Stipulated Agreement in Dockets 316/314

LOCAL EXCHANGE SERVICE	Aver. Units	Current Rate	Revised Rate	Reduction	% Reduction	Revenue Reduction
Residential:						
1 - party	30,564	\$21.90	\$20.85	(\$1.05)	4.8%	(\$32,092)
2 - party	200	15.90	15.15	(0.75)	4.7%	(150)
Business:						
1 - party	5,258	58.45	55.80	(2.65)	4.5%	(13,934)
Key Main Lines	3,706	60.45	57.95	(2.50)	4.1%	(9,265)
PABX Trunks	977	96.55	93.00	(3.55)	3.7%	(3,468)
PABX Toll Trunks	33	44.75	43.50	(1.25)	2.8%	(41)
Semi-Public	108	34.60	33.50	(1.10)	3.2%	(119)
SUPP. EXCHANGE REVENUE						
Telephone Touch Bus.	3,870	4.90	3.75	(1.15)	23.5%	(4,451)
Telephone Touch Bus. Key	2,940	5.50	4.25	(1.25)	22.7%	(3,675)
Telephone Touch PABX Trunk	798	6.40	4.75	(1.65)	25.8%	(1,317)
Telephone Touch Res.	22,754	2.40	1.75	(0.65)	27.1%	(14,790)
Call Waiting Bus.	1,119	5.00	5.00	0.00	0.0%	0
Call Waiting Res.	14,887	2.00	2.00	0.00	0.0%	0
Special Package Bus.	386	7.00	7.00	0.00	0.0%	0
Special Pkg - Res.	2,108	3.00	3.00	0.00	0.0%	0
Speed Calling - Bus	216	3.00	3.00	0.00	0.0%	0
Speed Calling - Res	788	2.00	2.00	0.00	0.0%	0
Conference Call - Bus.	310	3.00	3.00	0.00	0.0%	0
Conference Call - Res.	3,167	2.00	2.00	0.00	0.0%	0
Call Forward. - Bus.	589	3.00	3.00	0.00	0.0%	0
Call Forward. - Res.	537	2.00	2.00	0.00	0.0%	0
Telephone Touch Bus. Rental	1,027	14.00	14.00	(1.99)	14.22%	(2,018)

56.00

20C Approved
4/10/89

PAGE 2

To reflect permant reduction plus three-year amortization
Of "1988" Reduction of \$800,000

SUPP. EXCHANGE REVENUE

... ..

Gr

9007 7 3) * 7%

Water	56.00		55.05
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Month	Revenue	Days	Rate	Amount
1	100	10	100	100
2	100	10	100	100
3	100	10	100	100
4	100	10	100	100
5	100	10	100	100
6	100	10	100	100
7	100	10	100	100
8	100	10	100	100
9	100	10	100	100
10	100	10	100	100
11	100	10	100	100
12	100	10	100	100
Total	1200	120	100	1200

to decide whether	
ate "ringing"	\$267

*Cost Amortization (\$000's) (36-months)	\$801
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Total Decrease from Page 1	(\$1.100)
Total Decrease from Page 2	(267)

Total Consumer Decrease	(\$1.367)
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FOC Approved
4/10/81

PAGE 3

Note: $(\$1,416,667)/3 = \$455,555$

75C Approved
4/10/89

ADDENDUM TO SETTLEMENT AGREEMENT

The undersigned parties, VITELCO, ATN, RTFC, VITELCOM and the Virgin Islands Public Services Commission, hereby stipulate and agree to the following addendum to the Settlement Agreement among them dated April 19, 1989:

A. On page 6 of 20 of the Settlement Agreement, in the third and fourth sentences of paragraph 4.b are amended to read as follows:

The only exception permitted shall be in the event of a termination or diminution of the requirements for long distance operator services under the VITELCO/AT&T contract for long distance operator service. VITELCO may terminate employees holding the position of long-distance operator, provided VITELCO submits to the Commission satisfactory evidence that such termination is the minimum reduction which is warranted in order to achieve a reasonable and acceptable level of efficiency in performance under the AT&T contract, consistent with achieving satisfactory operator response time.

C. On page 8 of 20 of the Settlement Agreement, in paragraph 3.b, the first sentence is amended by adding the following:

provided that advisory fees related to toll services may be paid without prior Commission consent if the following two conditions are met: (i) no such payment leaves VITELCO without funds it needs to fulfill its obligations under law or under this Settlement Agreement; and (ii) such payments are not considered by the Commission for

purposes of calculating VITELCO's Times Interest Earned Ratio or Debt Service Coverage Ratio pursuant to VITELCO's financing agreement with RTFC, unless the Commission has found them to be reasonable.

Virgin Islands Telephone Corporation
"VITELCO"

DATED: Oct. 3, 1989

By: [Signature]

Atlantic Tele-Network Co
"ATN"

DATED: Oct. 3, 1989

By: [Signature]

Rural Telephone Financing Cooperative
"RTFC"

DATED: Oct. 3, 1989

By: Charles B. Gill

"VITELCOM"

DATED: Oct. 3, 1989

By: [Signature]

Public Services Commission
"COMMISSION"

DATED: Oct 3, 1989

By: [Signature]

Prosser Letter 11-05-2009 to PSC re Change of Control

Exhibit B

RTFC Reed Letter August 8, 2003 re RUS Financing



RURAL TELEPHONE FINANCE COOPERATIVE
2201 Cooperative Way · Herndon, Virginia 20171-3025
703-709-6700

August 8, 2003

Joe C. Minor, CFO
Innovative Communication Corp.
Phillips Point - East Tower
777 Flagler Dr., 12th Floor
West Palm Beach, FL 33401
FAX No. 561-514-0605

Re: Rural Telephone Finance Cooperative ("RTFC") loans to Innovative Communication Corp. ("ICC") under Loan Agreement dated August 27, 2001 as amended ("RTFC Loan Agreement"); Loan No. VI802-9015.

Dear Mr. Minor

We understand that Virgin Islands Telephone Corporation ("VITELCO"), a wholly owned subsidiary of ICC, has applied for secured loans and loan guarantees from the Rural Utilities Service, Rural Telephone Bank and Federal Financing Bank totaling \$161,639,250.00 (collectively "RUS Loans"). Under Section 7.2, Subsections 7.2.3, 7.2.6 and 7.2.7 of the RTFC Loan Agreement, ICC is obligated to obtain the prior written consent of RTFC for any such financing.

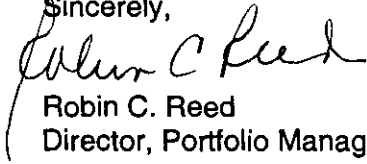
While we reserve our right to analyze the entire transaction, one issue is that RUS loan documents typically restrict dividends paid by RUS borrowers. We are concerned that the flow of dividends from VITELCO to ICC could be restricted to an extent that would impair ICC's ability to make loan payments to RTFC.

So that we may give you our full cooperation in this matter, please forward to me, as soon as possible, a copy of the RUS loan commitment and drafts of any notes, mortgages, loan agreements, guaranties, side letters, appraisals, studies and other documents, agreements, contracts, reports and forms that will evidence and support the RUS Loans. We will also need updated financial statements and projections showing the effects of the RUS Loans.

We understand that the RUS Loans could fund as early as the end of this month. Analyzing and reaching agreement on complex matters such as this can easily take several weeks to complete and we cannot begin our evaluation until we receive the requested materials.

If you have questions please feel free to call me at 703 709-6792.

Sincerely,

A handwritten signature in black ink, appearing to read "Robin C. Reed". The signature is fluid and cursive, with the first name "Robin" and last name "Reed" clearly distinguishable.

Robin C. Reed
Director, Portfolio Management

cc: Alan D. Sugerman, Esq.

Prosser Letter 11-05-2009 to PSC re Change of Control

Exhibit C

Rames Opinion Letter February 25, 2004 re Vitelco Preferred Stock

KEVIN A. RAMES, P.C.
Attorney and Counselor at Law

Suite 3, 2111 Company Street
Christiansted, St. Croix
U.S. Virgin Islands 00820

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February 25, 2004

The Initial Purchasers as Set Forth
In Appendix "A" and The Bank of
New York as Transfer Agent and Registrar

Re: Purchase Agreement - Preferred Stock

Dear Sirs and Msdmes:

I am counsel for Virgin Islands Telephone Corporation, organized under the laws of the United States Virgin Islands (hereinafter called the "Issuer") and render this opinion to you in connection with the issuance and sale of preferred stock, as set forth in the Purchase Agreement dated as of February 25, 2004.

I have examined such corporate records and proceedings of the Issuer, and such other documents as provided to me by the Company as a basis for the opinions hereinafter expressed.

I have also examined the following documents as executed and delivered: (1) The Short Form Term Sheet, (2) The Agreement for the Purchase and Sale of the Corporation's 10.00% Cumulative Perpetual Callable Preferred Stock, (3) The Exchange Option Agreement, (4) The Certificate Of Designation Of Rights, Preferences And Privileges, (5) The Confidential Private Placement Memorandum and (6) the Issuer's Amended and Restated Articles of Incorporation..

I have also caused to be examined by competent and trustworthy persons, the records and files of all offices in which there might be filed or recorded any corporate or related documents of the Issuer.

I have caused to be examined by competent and trustworthy persons, (i) the stock book and records of the Issuer, and (ii) the filings related to this transaction with the Lieutenant Governor of the United States Virgin Islands and in such other locations as necessary to provide Purchaser with this opinion.

WAS

Based upon the foregoing, I am of the opinion that:

1. The Issuer has been duly incorporated and is validly existing as a corporation in good standing under the laws of the U.S. Virgin Islands, with full corporate power and authority to own or lease, and operate all of the properties and assets owned or leased by it and to carry on its business as now conducted and to enter into and to consummate the transactions contemplated by the Purchase Agreements and to issue, sell and deliver the Preferred Stock.
2. The total authorized capital stock of the Issuer consists of (i) Two Hundred Fifty Thousand (250,000) shares of Class A Common Stock of a par value of Twenty Dollars (\$20.00) for each share; (ii) Two Hundred Fifty Thousand (250,000) shares of Class B Common Stock of no par value and (ii) Eighty Five Thousand (85,000) shares of Cumulative Perpetual Callable Preferred Stock of a par value of One Thousand Dollars (\$1,000.00) per share. Upon the filing of the Certificate of Designation with the Office of the Lieutenant Governor of the U.S. Virgin Islands, the Preferred Stock shall be designated as "Cumulative Perpetual Callable Preferred Stock". As of the date hereof, Two Hundred Fifty Thousand (250,000) shares of Class A Common Stock are issued and outstanding, no shares of Class B Common Stock are issued and outstanding no shares of Cumulative Perpetual Callable Preferred Stock are issued and outstanding are issued and out-standing. Upon issuance of the Preferred Stock pursuant to the Purchase Agreements, each share of Preferred Stock that is issued and outstanding will be validly issued, fully paid and nonassessable, will not have been issued in violation of any preemptive rights, and shall be free and clear of any lien, option or other right or claim.
3. The making and performance of the Agreements by the Issuer and consummation of the transactions therein contemplated will not violate any provision of the organizational documents of the Issuer.
4. The making of the Agreements by the Company and the consummation of the transactions therein contemplated will not (ii) conflict with, result in the breach or violation of, or constitute, either by itself or upon notice or the passage of time or both, a default under any material agreement, mortgage, deed of trust, lease, franchise, license, indenture, permit or other instrument to which the Company is a party or by which the Company or any of its respective properties may be bound or affected, or, to the Company's knowledge, any statute or any authorization, judgment, decree, order, rule or regulation of any court or any regulatory body, administrative agency or other governmental body applicable to the Company or any of its respective properties which individually or in the aggregate would have a material adverse effect on the condition (financial or otherwise), properties, business, prospects as of the date hereof or results of operations of the Company, taken as a whole (a "Material Adverse Effect").
5. The Issuer is not, to my knowledge, in violation of any statute, law, ordinance, governmental rule or regulation or any judgment, order or decree (Federal, state, local or foreign) to which it or its business or any of its properties or assets is subject, except for such violations that are not reasonably likely to have, singly or in the aggregate, a Material Adverse Effect as defined in the Agreements. Except as disclosed in the Private

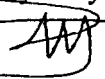
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Placement Memorandum, the Issuer is not subject to any such judgment, order or decree that is reasonably likely to have, singly or in the aggregate, a Material Adverse Effect.

6. Each of the Purchase Agreements has been duly authorized by the Board of Directors of the Issuer. Further, each of the Purchase Agreements has been executed and delivered by and each is a valid and binding agreement of the Issuer.

7. The Preferred Stock has been duly authorized and, upon payment by the Purchasers of the Purchase Price and the satisfaction of the other conditions set forth in the Purchase Agreements, will be validly issued, fully paid and non-assessable and free of any preemptive or similar statutory rights.

8. The Certificate of Designation with respect to the Preferred Stock has been duly authorized and executed by the Issuer and has been filed with the Office of the Lieutenant Governor of the U.S. Virgin Islands.

Very truly yours,

For the Firm